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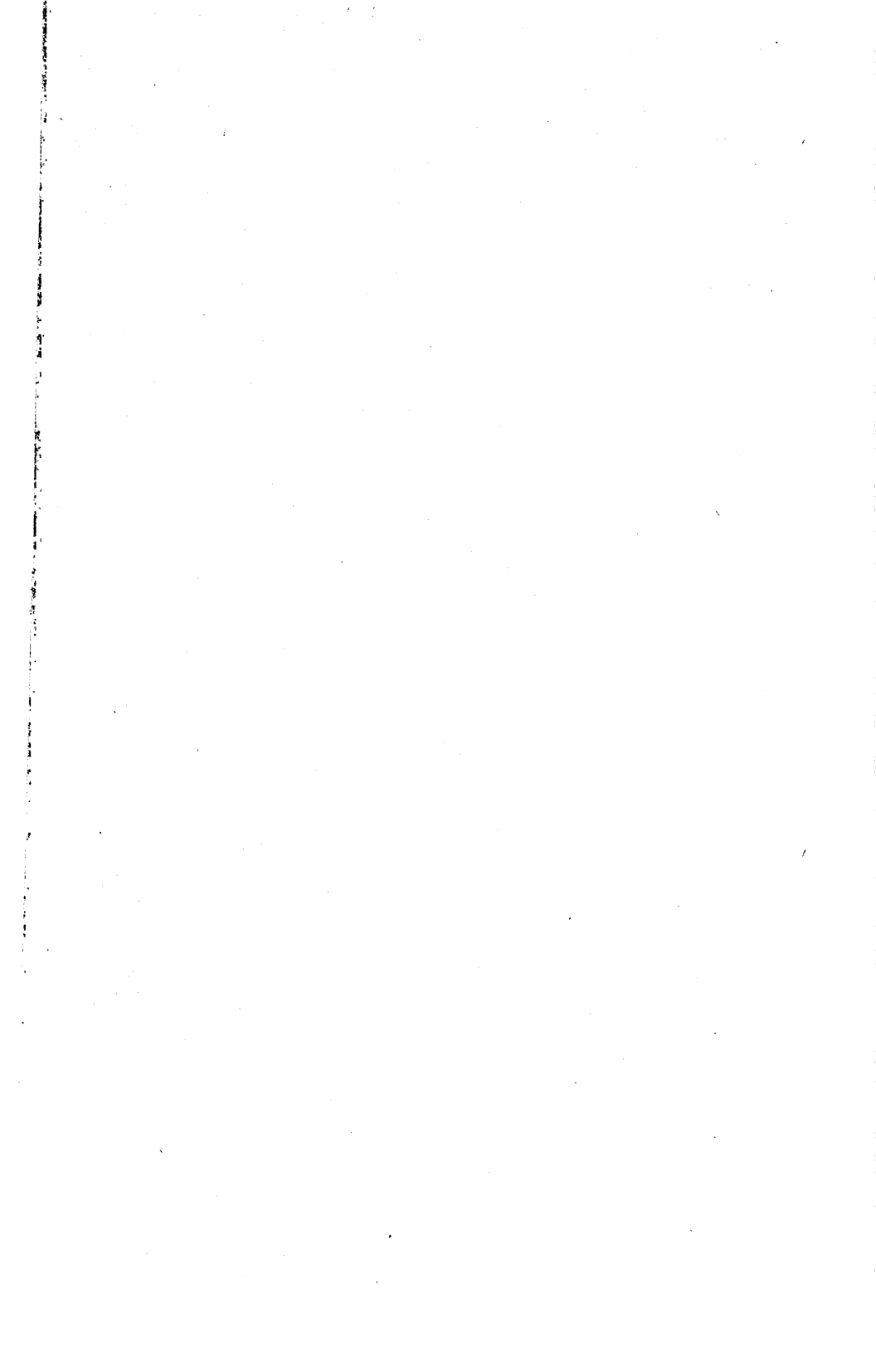
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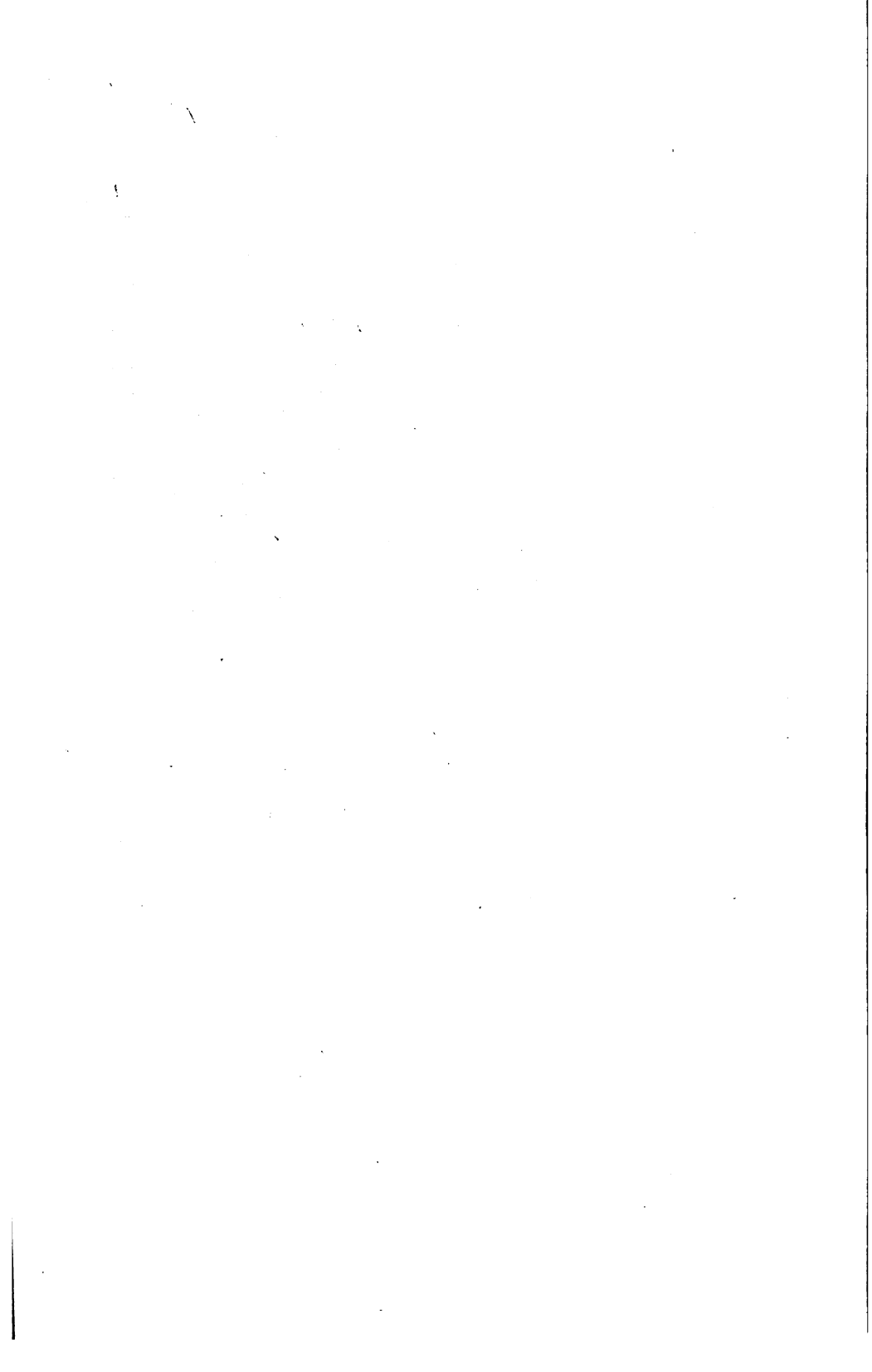


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# Instructor's Guide

TO

## Accounting Theory and Practice

*VOLUME II*  
(SECOND YEAR TEXT)

By

ROY B. KESTER, M.A., B.C.S.

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TO VIVID  
ADVENTURE

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## ERRATA

These errors occur in the text of "Accounting—Theory and Practice," Volume II (first printing). The instructor should call them to the attention of the students. (They have been corrected in second printing.)

Page 670. Following Instructions for October 11 insert: "October 13. Certificate of stock is issued to Noble."

Page 671. At end of Instructions insert: "Charge credit information cost to Sundry Office Expense."

Page 673. Under Instructions for November 7, fourth line should read: "No entry will need to be made in the general journal to secure the proper posting . . . etc."

Page 675. To Instructions for August 15, add: "All expenditures are cash items."

Page 676. To Instructions for Journal add: "; this is not included in the sales journal data given above."

Page 681. To Instructions for September 2, add: "as a credit to proper sales account."

To Instructions for October 25, add: "Issue certificates of stock to new holders."

Page 694. Third line from bottom of page should read "Chapters XXVIII-XXXV comprising . . . etc."

Page 695. Second paragraph should read: "The instructor should direct the student to take Problem XXVIII under consideration . . . etc."



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## Instructor's Guide

To

### Accounting—Theory and Practice

#### VOLUME II

Little need be said here by way of introduction to Volume II, other than it appears in the "Instructor's Guide to Volume I." Attempt was made to offer suggestions as to methods of presenting the work in accounting instruction which have been found helpful. The reader is referred to that for such suggestions. Here, only general comment on the content of the practice portion of Volume II will be made. This portion consists of Appendix A for the first semester and Appendix B for the second semester. Efficient practice work is presented to accompany approximately 30 hours of recitation or lecture work for each semester. In schools where more time is available, the material of Appendices A and B—particularly if supplemented by that of Appendix C—can well be made to suffice for a 75 to 90 hour course.

The first twenty-seven chapters of the text should be presented during the first semester. Of this portion, Chapters IV to XXVII inclusive form a connected whole, while Chapters I to III comprise matter, by way of introduction, which is not integrally related to what follows. The first four assignments of practice work in Appendix A are disconnected problems bearing for the most part on Chapters I to III or presenting some of the principles of Volume I by way of review. The connected matter—shown as Practice Data—introduced at the fifth assignment, after the membership of the class has become fairly well settled, and occupies the remainder of the semester's work, except for a problem illustrative of a manufacturing business presented as Assignments XXIII and XXIV. Much more than is the case with Volume I, this Practice Data material of Volume II is largely free from detail; the emphasis being placed on transactions which are not so frequently encountered as are regular sales, purchases, and cash transactions. Also, unlike that of Volume I, the practice material of Volume II is not so closely dependent on corresponding chapters of the text for a statement of underlying principles illustrated.

The practice material of Appendix B is of the formal problem type. These are well graded, illustrating many problems in connection with the three main phases of business organization. In addition to a number of miscellaneous

## 4 ACCOUNTING—THEORY AND PRACTICE

problems of mixed character, several problems are given illustrative of special forms of these three types, such as mergers and consolidations, branch house organization, etc.

Two questions which have arisen in connection with the students' practice work require consideration at this point. There has been some demand for complete solutions of the problems and practice data, instead of a showing of results, for the most part, as in this Guide. The author realizes the convenience accruing to the busy instructor through the use of complete solutions, but feels that every instructor, if he is to be fully cognizant of the difficulties encountered by his students, should know at first hand the points peculiar to the practice material. Only so can he appreciate the students' point of view.

Another difficulty met in the use of practice material is the facility with which type forms of solutions find their way into the archives of clubs and fraternities and serve a doubtful purpose from year to year. No entirely satisfactory method of meeting the situation has been devised as yet. Under one method the requirement that all practice work be done by the student in set "laboratory" periods under the instructor's supervision, offers the best solution of the difficulty, where such method is practicable and the facilities are available. Otherwise, less dependence must be placed on the integrity of the formal sets turned in by the student and his practical knowledge must be tested more rigorously by formal examinations.

In the results listed below, little attention is paid to the form of the solution, except in rare instances. The author will appreciate having errors called to his attention.

### APPENDIX A

#### I, page 656.

1. J. B. Rogers, capital \$6,039.69; B. R. Jay, capital \$6,039.69.
2. Buckham, capital \$11,318.57; Cockburn, capital \$16,431.43.
3. Johnson may pay Wilson and Peters *personally* \$7,500; or he may *invest* \$10,000 to form a part of the capital of the new firm.

#### II, page 657.

- 1-3. No answers necessary.
4. Bonus is charged \$5,000, and Organization Expense \$16,400.

#### III, page 658.

- 1-6. No answers necessary.

#### IV, page 658. Net profit is \$16,041.65. Caxton's share (37.5%) is \$6,015.62; Dolton's share (44.947%) is \$7,210.24; and Evans' share (17.553%) is \$2,815.79.

V-XXII, pages 659-685. The material for checking results for these assignments is given in the form of continuous trial balances, the profit and loss statements and balance sheets being shown in that form also. To save space, the results for Practice Data XXV-XXVIII a-e also incorporated here. See pages 6 to 13.

XXIII-XXIV, pages 685-690. Net profit is \$96,272.90.

## DISTRIBUTION OF EXPENSES

|                            | Total      | Factory    | Selling   | Office   |
|----------------------------|------------|------------|-----------|----------|
| Light, Heat & Power.....   | \$8,972.38 | \$8,075.14 | \$ 807.51 | \$ 89.73 |
| Rent.....                  | 4,600.00   | 2,760.00   | 1,610.00  | 230.00   |
| Depreciation on Bldgs..... | 2,500.00   | 1,500.00   | 875.00    | 125.00   |
| Insurance on Bldgs.....    | 1,633.60   | 1,221.12   | 363.15    | 49.33    |
| In-freight.....            | 1,460.24   | 803.13     | 657.11    | ....     |

## BASIS FOR ESTIMATING DISTRIBUTION OF INSURANCE

|                          | Total               | Factory             | Selling            | Office            |
|--------------------------|---------------------|---------------------|--------------------|-------------------|
| Buildings.....           | \$75,000.00         | \$45,000.00         | \$26,250.00        | \$3,750.00        |
| Tools.....               | 5,140.17            | 5,140.17            | ....               | ....              |
| Machinery.....           | 51,030.54           | 51,030.54           | ....               | ....              |
| Patterns.....            | 2,094.86            | 2,094.86            | ....               | ....              |
| Sales Furn. & Fixt.....  | 5,919.90            | ....                | 5,919.90           | ....              |
| Factory Furn. & Fixt...  | 4,909.80            | 4,909.80            | ....               | ....              |
| Office Furn. & Fixt..... | 620.00              | ....                | ....               | 620.00            |
|                          | <u>\$144,715.27</u> | <u>\$108,175.37</u> | <u>\$32,169.90</u> | <u>\$4,370.00</u> |

Insurance on factory is  $\frac{108,175.37}{144,715.27} = 74.75\%$  of \$1,633.60 = \$1,221.12

Insurance on selling is  $\frac{32,169.90}{144,715.27} = 22.23\%$  of \$1,633.60 = \$363.15

Insurance on office is  $\frac{4,370.00}{144,715.27} = 3.02\%$  of \$1,633.60 = \$49.33

XXV-XXVIII, pages 691-693. See results shown on pages 6 to 13 for Practice Data V-XXII. Effort is made to indicate the distribution of the various items over departments by the bracketed figures.

# KNOX-DAVIS MAN

| ACCOUNT   | SEPTEMBER 30, 1915<br>BALANCE SHEET |           | SEPTEMBER 30, 1915<br>TRIAL BALANCE |           |
|---|-------------------------------------|-----------|-------------------------------------|-----------|
|   |                                     |           |                                     |           |
| 1. Drew National Bank.....                          | \$14,473.17                         |           | \$1,191.29                          |           |
| 2. Petty Cash.....                                  |                                     |           | 180.00                              |           |
| 3. Sinking Fund Trustee.....                        |                                     |           |                                     |           |
| 4. Notes Receivable.....                            | 1,500.00                            |           | 1,000.00                            |           |
| 5. Notes Receivable Discounted.....                 |                                     | \$250.00  |                                     | \$250.00  |
| 6. Notes Receivable Special.....                    |                                     |           |                                     |           |
| 7. Trade Debtors.....                               | 10,125.61                           |           | 23,331.92                           |           |
| 8. Reserve for Doubtful Accounts.....               |                                     |           |                                     |           |
| 9. Accounts Receivable Special.....                 |                                     |           |                                     |           |
| 10. Prepayment on Purchases.....                    |                                     |           |                                     |           |
| 11. Merchandise Inventory.....                      | 42,282.27                           |           | 42,282.27                           |           |
| 12. Raw Materials Inventory.....                    |                                     |           |                                     |           |
| 13. Goods in Process Inventory.....                 |                                     |           |                                     |           |
| 14. Plant and Sundry Assets.....                    |                                     |           |                                     |           |
| 15. Jackson, Edwards, Hansen, Vendors.....          |                                     |           |                                     |           |
| 16. Delivery Equipment.....                         | 492.50                              |           | 492.50                              |           |
| 17. Depreciation Reserve Delivery Equip.....        |                                     |           |                                     |           |
| 18. Patterns.....                                   |                                     |           |                                     |           |
| 19. Depreciation Reserve Patterns.....              |                                     |           |                                     |           |
| 20. Furniture and Fixtures.....                     | 800.00                              |           | 800.00                              |           |
| 21. Depreciation Reserve Fur. & Fixtures.....       |                                     |           |                                     |           |
| 22. Power Equipment.....                            |                                     |           |                                     |           |
| 23. Depreciation Reserve Power Equip.....           |                                     |           |                                     |           |
| 24. Factory Buildings.....                          |                                     |           |                                     |           |
| 25. Depreciation Reserve Factory Buildings.....     |                                     |           |                                     |           |
| 26. Tools.....                                      |                                     |           |                                     |           |
| 27. Machinery.....                                  |                                     |           |                                     |           |
| 28. Depreciation Reserve Machinery.....             |                                     |           |                                     |           |
| 29. Factory Land.....                               |                                     |           | 10,200.00                           |           |
| 30. Patents and Trade-Marks.....                    |                                     |           | 9,000.00                            |           |
| 31. Good Will.....                                  | 4,500.00                            |           | 4,500.00                            |           |
| 32. Organization Expense.....                       | 50.00                               |           | 50.00                               |           |
| 33. Notes Payable.....                              |                                     | 4,692.18  |                                     | 6,192.18  |
| 34. Vouchers Payable.....                           |                                     | 10,126.73 |                                     | 24,660.39 |
| 35. Boston Office Company.....                      |                                     |           |                                     |           |
| 36. Dividends on Common.....                        |                                     |           |                                     |           |
| 37. Dividends on First Preferred.....               |                                     |           |                                     |           |
| 38. Dividends on Second Preferred.....              |                                     |           |                                     |           |
| 39. Purchase Money Mortg. on Machinery.....         |                                     |           |                                     |           |
| 40. Bonds Payable (Auth. Issue \$20,000).....       |                                     |           |                                     |           |
| 41. Discount on Bonds.....                          |                                     |           |                                     |           |
| 42. Subscribers.....                                | 13,125.00                           |           | 4,125.00                            |           |
| 43. Call No. 1.....                                 |                                     |           |                                     |           |
| 44. Call No. 2.....                                 |                                     |           |                                     |           |
| 45. Capital Stock Subscriptions.....                |                                     | 10,000.00 |                                     | 1,000.00  |
| 46. Capital Stk. Cm. (Auth. Issue \$100,000).....   |                                     | 62,500.00 |                                     | 71,500.00 |
| 47. Capital Stk. 1st Pfd. (Auth. Is. \$50,000)..... |                                     |           |                                     |           |
| 48. Capital Stk. 2d Pfd. (Auth. Is. \$25,000).....  |                                     |           |                                     |           |
| 49. Discount on Stock.....                          |                                     |           |                                     |           |
| 50. Treasury Stock.....                             |                                     |           |                                     |           |
| 51. Surplus.....                                    |                                     |           |                                     |           |
| 52. Donated Working Capital.....                    |                                     |           |                                     |           |
| 53. Sinking Fund Reserve.....                       |                                     |           |                                     |           |
| 54. Manufacturing.....                              |                                     |           |                                     |           |
| 55. Profit and Loss.....                            |                                     |           |                                     |           |
| 56. Deaks and Tables Sales.....                     |                                     |           |                                     | 19,083.15 |

# UFACTURING CO.

| OCTOBER 31, 1915<br>TRIAL BALANCE |             |            | AUGUST 31, 1916<br>TRIAL BALANCE |  | AUGUST 31, 1916<br>PROFIT & LOSS |            |
|-----------------------------------|-------------|------------|----------------------------------|--|----------------------------------|------------|
| 1                                 | \$258.31    | Current    | \$18,319.91                      |  |                                  |            |
| 2                                 | 23,734.30   | Bldg. Fund | 2,301.24                         |  |                                  |            |
| 3                                 | 150.00      |            | 150.00                           |  |                                  |            |
| 4                                 | 1,000.00    |            | 16,525.85                        |  |                                  |            |
| 5                                 |             |            | \$4,750.00                       |  |                                  |            |
| 6                                 |             |            |                                  |  |                                  |            |
| 7                                 | 29,714.03   |            | 69,862.56                        |  |                                  |            |
| 8                                 |             |            | 153.75                           |  |                                  |            |
| 9                                 |             |            |                                  |  |                                  |            |
| 10                                |             |            |                                  |  |                                  |            |
| 11                                | 42,282.27   |            | 42,282.27                        |  | \$42,282.27                      | \$9,662.37 |
| 12                                |             |            |                                  |  |                                  |            |
| 13                                |             |            |                                  |  |                                  |            |
| 14                                |             |            |                                  |  |                                  |            |
| 15                                |             |            | 101.62                           |  |                                  |            |
| 16                                | 3,492.50    |            | 3,492.50                         |  |                                  |            |
| 17                                |             |            |                                  |  |                                  |            |
| 18                                |             |            |                                  |  |                                  |            |
| 19                                |             |            |                                  |  |                                  |            |
| 20                                | 1,500.00    |            | 1,500.00                         |  |                                  |            |
| 21                                |             |            |                                  |  |                                  |            |
| 22                                |             |            | 5,100.00                         |  |                                  |            |
| 23                                |             |            |                                  |  |                                  |            |
| 24                                | 2,600.70    |            | 34,133.76                        |  |                                  |            |
| 25                                |             |            |                                  |  |                                  |            |
| 26                                |             |            |                                  |  |                                  |            |
| 27                                |             |            |                                  |  |                                  |            |
| 28                                |             |            |                                  |  |                                  |            |
| 29                                | 10,200.00   |            | 10,200.00                        |  |                                  |            |
| 30                                | 9,000.00    |            | 9,000.00                         |  |                                  |            |
| 31                                | 4,500.00    |            | 4,500.00                         |  |                                  |            |
| 32                                | 410.50      |            | 410.50                           |  |                                  |            |
| 33                                | \$ 5,261.40 |            | 28,542.00                        |  |                                  |            |
| 34                                | 34,147.28   |            | 42,193.25                        |  |                                  |            |
| 35                                |             |            |                                  |  |                                  |            |
| 36                                |             |            | 4,000.00                         |  |                                  |            |
| 37                                |             |            |                                  |  |                                  |            |
| 38                                |             |            |                                  |  |                                  |            |
| 39                                |             |            |                                  |  |                                  |            |
| 40                                |             |            |                                  |  |                                  |            |
| 41                                |             |            |                                  |  |                                  |            |
| 42                                |             |            |                                  |  |                                  |            |
| 43                                |             |            |                                  |  |                                  |            |
| 44                                |             |            |                                  |  |                                  |            |
| 45                                |             |            |                                  |  |                                  |            |
| 46                                | 100,000.00  |            | 100,000.00                       |  |                                  |            |
| 47                                |             |            |                                  |  |                                  |            |
| 48                                |             |            |                                  |  |                                  |            |
| 49                                | 1,165.00    |            | 1,165.00                         |  |                                  |            |
| 50                                |             |            |                                  |  |                                  |            |
| 51                                |             |            |                                  |  |                                  |            |
| 52                                |             |            |                                  |  |                                  |            |
| 53                                |             |            |                                  |  |                                  |            |
| 54                                |             |            |                                  |  |                                  |            |
| 55                                |             |            |                                  |  |                                  |            |
| 56                                | 39,814.95   |            | 275,485.15                       |  | 275,485.15                       |            |

| ACCOUNT  | AUGUST 31, 1916<br>BALANCE SHEET |            | AUGUST 31, 1916<br>CORRECTED BALANCE SHEET |            |
|--|----------------------------------|------------|--|------------|
|  |                                  |            |  |            |
| 1. Drew National Bank.....                           | 20,621.15                        |            | 20,621.15                                  |            |
| 2. Petty Cash.....                                   | 150.00                           |            | 150.00                                     |            |
| 3. Sinking Fund Trustee.....                         |                                  |            |  |            |
| 4. Notes Receivable.....                             | 16,525.85                        |            | 15,925.85                                  |            |
| 5. Notes Receivable Discounted.....                  |                                  | 4,750.00   |  | 4,750.00   |
| 6. Notes Receivable Special.....                     |                                  |            | 600.00                                     |            |
| 7. Trade Debtors.....                                | 69,862.56                        |            | 66,862.56                                  |            |
| 8. Reserve for Doubtful Accounts.....                |                                  | 2,336.74   |  | 2,336.74   |
| 9. Accounts Receivable Special.....                  |                                  |            | 500.00                                     |            |
| 10. Prepayment on Purchases.....                     |                                  |            | 2,500.00                                   |            |
| 11. Merchandise Inventory.....                       | 9,662.37                         |            | 8,662.37                                   |            |
| 12. Raw Materials Inventory.....                     |                                  |            |  |            |
| 13. Goods in Process Inventory.....                  |                                  |            |  |            |
| 14. Plant and Sundry Assets.....                     |                                  |            |  |            |
| 15. Jackson, Edwards, Hansen, Vendors.....           | 101.62                           |            | 101.62                                     |            |
| 16. Delivery Equipment.....                          | 2,492.50                         |            | 2,492.50                                   |            |
| 17. Depreciation Reserve Delivery Equip.....         |                                  | 523.88     |  | 523.88     |
| 18. Patterns.....                                    |                                  |            |  |            |
| 19. Depreciation Reserve Patterns.....               |                                  |            |  |            |
| 20. Furniture and Fixtures.....                      | 1,500.00                         |            | 1,500.00                                   |            |
| 21. Depreciation Reserve Fur. and Fixtures.....      |                                  | 150.00     |  | 150.00     |
| 22. Power Equipment.....                             | 5,100.00                         |            | 5,100.00                                   |            |
| 23. Depreciation Reserve Power Equip.....            |                                  |            |  |            |
| 24. Factory Buildings.....                           | 35,298.76                        |            | 34,133.76                                  |            |
| 25. Depreciation Reserve Factory Buildings.....      |                                  |            |  |            |
| 26. Tools.....                                       |                                  |            |  |            |
| 27. Machinery.....                                   |                                  |            |  |            |
| 28. Depreciation Reserve Machinery.....              |                                  |            |  |            |
| 29. Factory Land.....                                | 10,200.00                        |            | 10,200.00                                  |            |
| 30. Patents and Trade-Marks.....                     | 8,400.00                         |            | 8,400.00                                   |            |
| 31. Good Will.....                                   | 4,275.00                         |            | 4,500.00                                   |            |
| 32. Organisation Expense.....                        | 389.97                           |            | 389.97                                     |            |
| 33. Notes Payable.....                               |                                  | 28,542.00  |  | 28,542.00  |
| 34. Vouchers Payable.....                            |                                  | 42,193.25  |  | 42,193.25  |
| 35. Boston Office Company.....                       |                                  |            |  | 4,249.88   |
| 36. Dividends on Common.....                         |                                  |            |  |            |
| 37. Dividends on First Preferred.....                |                                  |            |  |            |
| 38. Dividends on Second Preferred.....               |                                  |            |  |            |
| 39. Purchase Money Mortg. on Machinery.....          |                                  |            |  |            |
| 40. Bonds Payable (Auth. Issue \$20,000).....        |                                  |            |  |            |
| 41. Discount on Bonds.....                           |                                  |            |  |            |
| 42. Subscribers.....                                 |                                  |            |  |            |
| 43. Call No. 1.....                                  |                                  |            |  |            |
| 44. Call No. 2.....                                  |                                  |            |  |            |
| 45. Capital Stock Subscriptions.....                 |                                  |            |  |            |
| 46. Capital Stk. Cm. (Auth. Issue \$100,000).....    |                                  | 100,000.00 |  | 100,000.00 |
| 47. Capital Stk. 1st Pfd. (Auth. Is. \$50,000)*..... |                                  |            |  |            |
| 48. Capital Stk. 2d Pfd. (Auth. Is. \$25,000).....   |                                  |            |  |            |
| 49. Discount on Stock.....                           |                                  |            | 1,165.00                                   |            |
| 50. Treasury Stock.....                              |                                  |            |  |            |
| 51. Surplus.....                                     |                                  | 6,090.33   |  | 1,065.45   |
| 52. Donated Working Capital.....                     |                                  |            |  |            |
| 53. Sinking Fund Reserve.....                        |                                  |            |  |            |
| 54. Manufacturing.....                               |                                  |            |  |            |
| 55. Profit and Loss.....                             |                                  |            |  |            |
| 56. Desks and Tables Sales.....                      |                                  |            |  |            |

|    | DECEMBER 31, 1917<br>TRIAL BALANCE |             | DECEMBER 31, 1917<br>PROFIT & LOSS |             | DECEMBER 31, 1917<br>BALANCE SHEET |             |
|----|------------------------------------|-------------|------------------------------------|-------------|------------------------------------|-------------|
| 1  | \$6,452.84                         |             |                                    |             | \$5,702.84                         |             |
| 2  | 150.00                             |             |                                    |             | 150.00                             |             |
| 3  |                                    |             |                                    |             | 750.00                             |             |
| 4  | 51,463.65                          |             |                                    |             | 51,463.65                          |             |
| 5  |                                    | \$10,370.15 |                                    |             |                                    | \$10,370.15 |
| 6  | 1,550.00                           |             |                                    |             | 1,550.00                           |             |
| 7  | 187,178.02                         |             |                                    |             | 187,178.02                         |             |
| 8  | 1,235.66                           |             |                                    |             |                                    | 4,445.23    |
| 9  | 2,000.00                           |             |                                    |             | 2,000.00                           |             |
| 10 |                                    |             |                                    |             |                                    |             |
| 11 | 8,662.37                           |             | \$8,662.37                         | \$41,037.70 | 41,037.70                          |             |
| 12 |                                    |             |                                    | 15,241.92   | 15,241.92                          |             |
| 13 |                                    |             |                                    | 9,255.65    | 9,255.65                           |             |
| 14 |                                    |             |                                    |             |                                    |             |
| 15 | 101.62                             |             |                                    |             | 101.62                             |             |
| 16 | 5,282.50                           |             |                                    |             | 5,282.50                           |             |
| 17 |                                    | 523.88      |                                    |             |                                    | 1,580.38    |
| 18 | 1,800.00                           |             |                                    |             | 1,800.00                           |             |
| 19 |                                    |             |                                    |             |                                    | 480.00      |
| 20 | 2,850.00                           |             |                                    |             | 2,850.00                           |             |
| 21 |                                    | 150.00      |                                    |             |                                    | 575.00      |
| 22 | 6,301.00                           |             |                                    |             | 6,301.00                           |             |
| 23 |                                    |             |                                    |             |                                    | 1,050.17    |
| 24 | 33,383.76                          |             |                                    |             | 33,383.76                          |             |
| 25 |                                    |             |                                    |             |                                    | 667.68      |
| 26 | 875.25                             |             |                                    |             | 825.50                             |             |
| 27 | 19,800.40                          |             |                                    |             | 19,800.40                          |             |
| 28 |                                    |             |                                    |             |                                    | 2,200.04    |
| 29 | 10,725.60                          |             |                                    |             | 10,725.60                          |             |
| 30 | 8,575.00                           |             |                                    |             | 11,477.45                          |             |
| 31 | 4,500.00                           |             |                                    |             | 82,945.25                          |             |
| 32 | 389.97                             |             |                                    |             | 362.60                             |             |
| 33 |                                    | 48,280.25   |                                    |             |                                    | 48,280.25   |
| 34 |                                    | 103,988.46  |                                    |             |                                    | 103,988.46  |
| 35 |                                    |             |                                    |             |                                    |             |
| 36 |                                    |             |                                    |             |                                    | 12,500.00   |
| 37 |                                    |             |                                    |             |                                    | 5,000.00    |
| 38 |                                    |             |                                    |             |                                    | 2,500.00    |
| 39 |                                    | 3,000.00    |                                    |             |                                    | 3,000.00    |
| 40 |                                    | 15,000.00   |                                    |             |                                    | 15,000.00   |
| 41 | 750.00                             |             |                                    |             | 725.00                             |             |
| 42 |                                    |             |                                    |             |                                    |             |
| 43 | 500.00                             |             |                                    |             | 500.00                             |             |
| 44 | 750.00                             |             |                                    |             | 750.00                             |             |
| 45 |                                    |             |                                    |             |                                    |             |
| 46 |                                    | 100,000.00  |                                    |             |                                    | 100,000.00  |
| 47 |                                    | 50,000.00   |                                    |             |                                    | 50,000.00   |
| 48 |                                    | 25,000.00   |                                    |             |                                    | 25,000.00   |
| 49 | 1,165.00                           |             |                                    |             | 1,165.00                           |             |
| 50 |                                    |             |                                    |             |                                    |             |
| 51 |                                    | 1,065.45    |                                    |             |                                    | 88,209.10   |
| 52 |                                    | 9,000.00    |                                    |             |                                    | 9,000.00    |
| 53 |                                    |             |                                    |             |                                    | 750.00      |
| 54 |                                    |             |                                    |             |                                    |             |
| 55 |                                    |             |                                    |             |                                    |             |
| 56 |                                    | 382,509.25  |                                    | 382,509.25  |                                    |             |



| ACCOUNT                                      | SEPTEMBER 30, 1915 |             | SEPTEMBER 30, 1915 |              |
|--|--------------------|-------------|--------------------|--------------|
|  | BALANCE SHEET      |             | TRIAL BALANCE      |              |
| 57. Desks and Tables Sales Ret. and Allow.   |                    |             |                    |              |
| 58. Bookcases and Filing Cabinets Sales      |                    |             |                    | 9,136.40     |
| 59. Bookcases and F. C. Sales Ret. and Al.   |                    |             |                    |              |
| 60. Sundry Office Supplies Sales             |                    |             |                    | 3,197.04     |
| 61. Sundry Office Supplies Sales Ret. and Al |                    |             |                    |              |
| 62. Knoxfraud Sales                          |                    |             |                    |              |
| 63. Knoxfraud Sales Ret. and Allowances      |                    |             |                    |              |
| 64. Desks and Tables Purchases               |                    |             | 13,673.55          |              |
| 65. Bookcases & F. C. Purchases              |                    |             | 13,563.95          |              |
| 66. Sundry Office Supplies Purchases         |                    |             | 3,868.30           |              |
| 67. Raw Materials Purchases                  |                    |             |                    |              |
| 68. Knoxfrauds Manufactured                  |                    |             |                    |              |
| 69. In-Freight and Delivery                  |                    |             | 525.60             |              |
| 70. Receiving and Shipping Room Expense      |                    |             | 150.00             |              |
| 71. Direct Labor                             |                    |             |                    |              |
| 72. Indirect Labor                           |                    |             |                    |              |
| 73. Factory Supplies                         |                    |             |                    |              |
| 74. Light, Heat, and Power                   |                    |             |                    |              |
| 75. Building Maintenance and Repairs         |                    |             |                    |              |
| 76. Machinery Repairs                        |                    |             |                    |              |
| 77. Assembling and Setting-up Expense        |                    |             |                    |              |
| 78. Depreciation                             |                    |             |                    |              |
| 79. Sundry Factory Expense                   |                    |             |                    |              |
| 80. Royalties                                |                    |             |                    |              |
| 81. Experimental Expense                     |                    |             |                    |              |
| 82. Salesmen's Salaries                      |                    |             | 2,500.00           |              |
| 83. Salesmen's Commissions                   |                    |             | 500.00             |              |
| 84. Salesmen's Traveling Expenses            |                    |             | 1,500.00           |              |
| 85. Delivery Expense                         |                    |             | 200.00             |              |
| 86. Warehouse Expense                        |                    |             |                    |              |
| 87. Warehouse Rent                           |                    |             |                    |              |
| 88. Sundry Selling Expense                   |                    |             | 25.00              |              |
| 89. Advertising                              |                    |             | 275.00             |              |
| 90. Office Salaries                          |                    |             | 600.00             |              |
| 91. Stationery and Printing                  |                    |             | 50.00              |              |
| 92. Telephone, Telegraph, and Postage        |                    |             | 45.50              |              |
| 93. Sundry Office Expense                    |                    |             | 116.85             |              |
| 94. Insurance                                | 95.36              |             | 95.36              |              |
| 95. Taxes                                    |                    |             |                    | 75.00        |
| 96. Rent                                     | 125.00             |             | 375.00             |              |
| 97. Interest and Discount                    |                    |             |                    | 5.00         |
| 98. Collection Expense                       |                    |             |                    |              |
| 99. Bond Interest                            |                    |             |                    |              |
| 100. Sales Discount                          |                    |             | 142.85             |              |
| 101. Bad Debts                               |                    |             |                    |              |
| 102. Purchase Discount                       |                    |             |                    | 230.87       |
| 103. Rent Income                             |                    |             |                    |              |
| 104. Commission Income                       |                    |             |                    |              |
| 105. Loss from Sale of Power Equipment       |                    |             |                    |              |
| 106. Fire Loss                               |                    |             |                    |              |
| 107. Strike Costs                            |                    |             |                    |              |
| 108. Damage Claims                           |                    |             |                    |              |
| 109. Damage Claims Reserve                   |                    |             |                    |              |
| 110. Profit Balance                          |                    |             |                    |              |
|  | \$87,568.91        | \$87,568.91 | \$135,330.03       | \$135,330.03 |

|     | OCTOBER 31, 1915<br>TRIAL BALANCE |              | AUGUST 31, 1916<br>TRIAL BALANCE |              | AUGUST 31, 1916<br>PROFIT AND LOSS |              |
|-----|-----------------------------------|--------------|----------------------------------|--------------|------------------------------------|--------------|
| 57  | 770.85                            |              | 5,011.00                         |              | 5,011.00                           |              |
| 58  |                                   | 18,797.90    |                                  | 194,101.30   |                                    | 194,101.30   |
| 59  | 210.00                            |              | 4,460.65                         |              | 4,460.65                           |              |
| 60  |                                   | 9,320.44     |                                  | 28,510.85    |                                    | 28,510.85    |
| 61  | 102.00                            |              | 777.50                           |              | 777.50                             |              |
| 62  |                                   |              |                                  |              |                                    |              |
| 63  |                                   |              |                                  |              |                                    |              |
| 64  | 29,138.55                         |              | 128,981.50                       |              | 128,981.50                         |              |
| 65  | 24,920.95                         |              | 98,679.10                        |              | 98,679.10                          |              |
| 66  | 7,922.25                          |              | 20,606.65                        |              | 20,606.65                          |              |
| 67  |                                   |              |                                  |              |                                    |              |
| 68  |                                   |              |                                  |              |                                    |              |
| 69  | 1,187.41                          |              | 4,897.69                         |              | 2,500.00                           |              |
|     |                                   |              |                                  |              | 2,100.00                           | *            |
|     |                                   |              |                                  |              | 297.69                             |              |
| 70  | 313.50                            |              | 3,003.64                         |              | 375.46                             |              |
|     |                                   |              |                                  |              | 337.91                             | *            |
|     |                                   |              |                                  |              | 37.54                              |              |
|     |                                   |              |                                  |              | 2,252.73                           |              |
| 71  |                                   |              |                                  |              |                                    |              |
| 72  |                                   |              |                                  |              |                                    |              |
| 73  |                                   |              |                                  |              |                                    |              |
| 74  | 20.00                             |              | 745.16                           |              | 558.87                             | *            |
|     |                                   |              |                                  |              | 186.29                             |              |
| 75  |                                   |              |                                  |              |                                    |              |
| 76  |                                   |              |                                  |              |                                    |              |
| 77  |                                   |              |                                  |              |                                    |              |
| 78  |                                   |              |                                  |              | 1,273.88                           | *            |
|     |                                   |              |                                  |              | 245.53                             |              |
| 79  |                                   |              |                                  |              |                                    |              |
| 80  |                                   |              |                                  |              |                                    |              |
| 81  |                                   |              |                                  |              |                                    |              |
| 82  | 5,150.00                          |              | 70,990.20                        |              | 71,410.20                          |              |
| 83  | 1,080.00                          |              | 21,810.30                        |              | 21,935.30                          |              |
| 84  | 3,025.50                          |              | 45,446.20                        |              | 45,446.20                          |              |
| 85  | 450.00                            |              | 7,730.90                         |              | 7,730.90                           |              |
| 86  |                                   |              | 170.00                           |              | 170.00                             |              |
| 87  |                                   |              | 900.00                           |              | 800.00                             |              |
| 88  | 75.25                             |              | 1,015.28                         |              | 1,015.28                           |              |
| 89  | 590.00                            |              | 13,120.00                        |              | 12,970.00                          |              |
| 90  | 1,200.00                          |              | 12,800.00                        |              | 12,800.00                          |              |
| 91  | 517.00                            |              | 967.00                           |              | 917.00                             |              |
| 92  | 96.25                             |              | 571.28                           |              | 571.28                             |              |
| 93  | 228.30                            |              | 300.45                           |              | 300.45                             |              |
| 94  | 220.36                            |              | 470.36                           |              | 376.99                             |              |
| 95  |                                   | 75.00        | 160.15                           |              | 160.15                             |              |
|     |                                   |              |                                  |              | 376.95                             | †            |
| 96  | 625.00                            |              | 3,875.00                         |              | 3,875.00                           |              |
| 97  | 4.31                              |              | 1,640.70                         |              | 1,590.70                           |              |
| 98  |                                   |              | 32.05                            |              | 32.05                              |              |
| 99  |                                   |              |                                  |              |                                    |              |
| 100 | 436.46                            |              | 4,498.81                         |              | 4,498.81                           |              |
| 101 |                                   |              |                                  |              | 2,490.49                           |              |
| 102 |                                   | 844.58       |                                  | 2,997.98     |                                    | 2,522.98     |
| 103 |                                   |              |                                  | 280.00       |                                    | 240.00       |
| 104 |                                   |              |                                  |              |                                    |              |
| 105 |                                   |              |                                  |              |                                    |              |
| 106 |                                   |              |                                  |              |                                    |              |
| 107 |                                   |              |                                  |              |                                    |              |
| 108 |                                   |              |                                  |              |                                    |              |
| 109 |                                   |              |                                  |              |                                    |              |
| 110 |                                   |              |                                  |              | 10,090.33 ‡                        |              |
|     | \$208,261.55                      | \$208,261.55 | \$676,860.53                     | \$676,860.53 | \$510,522.65                       | \$510,522.65 |

\* Effort is made to show the correct distribution of items over the various departments or divisions.

† Properly a charge against Surplus, but shown as above for the sake of ease in tracing the item.

‡ The net profit shown by the Profit and Loss Statement is \$10,250.48, i.e., \$160.15 more than the figure shown above. The figure of Surplus shown in the Balance Sheet is \$6,090.33, i.e., \$4,000 less than the above, thus being the interim dividend previously paid.

| ACCOUNT                                     | AUGUST 31, 1916 |              | AUGUST 31, 1916         |              |
|---|-----------------|--------------|-------------------------|--------------|
|   | BALANCE SHEET   |              | CORRECTED BALANCE SHEET |              |
| 57. Desks and Tables Sales Ret. and Allow.  |                 |              |                         |              |
| 58. Bookcases and Filing Cabinets Sales.    |                 |              |                         |              |
| 59. Bookcases and F. C. Sales, Ret. and Al. |                 |              |                         |              |
| 60. Sundry Office Supplies Sales.           |                 |              |                         |              |
| 61. Sundry Office Sup. Sales Ret. and All.  |                 |              |                         |              |
| 62. Knoxfraud Sale.                         |                 |              |                         |              |
| 63. Knoxfraud Sales, Ret. and Allowances.   |                 |              |                         |              |
| 64. Desks and Tables Purchases.             |                 |              |                         |              |
| 65. Bookcases & F. C. Purchases.            |                 |              |                         |              |
| 66. Sundry Office Supplies Purchases.       |                 |              |                         |              |
| 67. Raw Materials Purchases.                |                 |              |                         |              |
| 68. Knoxfrauds Manufactured.                |                 |              |                         |              |
| 69. In-Freight and Delivery.                |                 |              |                         |              |
| 70. Receiving and Shipping Room Expense.    |                 |              |                         |              |
| 71. Direct Labor.                           |                 |              |                         |              |
| 72. Indirect Labor.                         |                 |              |                         |              |
| 73. Factory Supplies.                       |                 |              |                         |              |
| 74. Light, Heat and Power.                  |                 |              |                         |              |
| 75. Building Maintenance and Repairs.       |                 |              |                         |              |
| 76. Machinery Repairs.                      |                 |              |                         |              |
| 77. Assembling and Setting-up Expense.      |                 |              |                         |              |
| 78. Depreciation.                           |                 |              |                         |              |
| 79. Sundry Factory Expense.                 |                 |              |                         |              |
| 80. Royalties.                              |                 |              |                         |              |
| 81. Experimental Expense.                   |                 |              |                         |              |
| 82. Salesmen's Salaries.                    |                 | 420.00       |                         | 420.00       |
| 83. Salesmen's Commissions.                 |                 | 125.00       |                         | 125.00       |
| 84. Salesmen's Traveling Expenses.          |                 |              |                         |              |
| 85. Delivery Expense.                       |                 |              |                         |              |
| 86. Warehouse Expense.                      | 100.00          |              | 100.00                  |              |
| 87. Warehouse Rent.                         |                 |              |                         |              |
| 88. Sundry Selling Expense.                 |                 |              |                         |              |
| 89. Advertising.                            | 250.00          | 100.00       | 250.00                  | 100.00       |
| 90. Office Salaries.                        |                 |              |                         |              |
| 91. Stationery and Printing.                | 50.00           |              | 50.00                   |              |
| 92. Telephone, Telegraph and Postage.       |                 |              |                         |              |
| 93. Sundry Office Expense.                  |                 |              |                         |              |
| 94. Insurance.                              | 93.37           |              | 93.37                   |              |
| 95. Taxes.                                  |                 | 376.95       |                         | 376.95       |
| 96. Rent.                                   |                 |              |                         |              |
| 97. Interest and Discount.                  | 50.00           |              | 50.00                   |              |
| 98. Collection Expense.                     |                 |              |                         |              |
| 99. Bond Interest.                          |                 |              |                         |              |
| 100. Sales Discount.                        |                 |              |                         |              |
| 101. Bad Debts.                             |                 |              |                         |              |
| 102. Purchase Discount.                     |                 | 475.00       |                         | 475.00       |
| 103. Rent Income.                           |                 | 40.00        |                         | 40.00        |
| 104. Commission Income.                     |                 |              |                         |              |
| 105. Loss from Sale of Power Equipment.     |                 |              |                         |              |
| 106. Fire Loss.                             |                 |              |                         |              |
| 107. Strike Costs.                          |                 |              |                         |              |
| 108. Damage Claims.                         |                 |              |                         |              |
| 109. Damage Claims Reserve.                 |                 |              |                         |              |
| 110. Profit Balance.                        |                 |              |                         |              |
|   | \$186,123.15    | \$186,123.15 | \$185,348.15            | \$185,348.15 |

|     | DECEMBER 31, 1917<br>TRIAL BALANCE |                | DECEMBER 31, 1917<br>PROFIT LOSS |                | DECEMBER 31, 1917<br>BALANCE SHEET |               |
|-----|------------------------------------|----------------|----------------------------------|----------------|------------------------------------|---------------|
| 57  | 10,192.50                          |                | 10,192.50                        |                |                                    |               |
| 58  |                                    | 275,925.40     |                                  | 275,925.40     |                                    |               |
| 59  | 8,269.10                           |                | 8,269.10                         |                |                                    |               |
| 60  |                                    | 2,000.00       |                                  | 2,000.00       |                                    |               |
| 61  |                                    |                |                                  |                |                                    |               |
| 62  |                                    | 475,743.75     |                                  | 475,743.75     |                                    |               |
| 63  | 21,569.65                          |                | 21,569.65                        |                |                                    |               |
| 64  | 200,431.95                         |                | 200,431.95                       |                |                                    |               |
| 65  | 149,878.79                         |                | 149,878.79                       |                |                                    |               |
| 66  |                                    |                |                                  |                |                                    |               |
| 67  | 67,749.63                          |                | 67,749.63                        |                |                                    |               |
| 68  |                                    |                |                                  |                |                                    |               |
| 69  | 8,650.00                           |                | 4,400.00                         | }              |                                    |               |
|     |                                    |                | 3,500.00                         |                |                                    |               |
|     |                                    |                | 750.00                           |                |                                    |               |
|     |                                    |                | 575.52                           |                |                                    |               |
|     |                                    |                | 503.58                           |                |                                    |               |
| 70  | 6,019.90                           |                | 359.70                           | }              | 340.20                             | 75.50         |
|     |                                    |                | 4,316.40                         |                |                                    |               |
| 71  | 99,475.50                          |                | 101,289.25                       |                |                                    | 1,793.75      |
| 72  | 11,900.17                          |                | 12,125.50                        |                |                                    | 225.33        |
| 73  | 1,124.17                           |                | 1,024.17                         |                | 100.00                             |               |
|     |                                    |                | 14,965.78                        |                |                                    |               |
| 74  | 17,381.67                          |                | 976.03                           | }              | 1,240.19                           | 125.67        |
|     |                                    |                | 525.34                           |                |                                    |               |
| 75  | 526.40                             |                | 526.40                           |                |                                    |               |
| 76  | 278.50                             |                | 278.50                           |                |                                    |               |
| 77  | 500.80                             |                | 515.80                           |                |                                    | 15.00         |
| 78  | 162.65                             |                | 6,091.79                         | }              |                                    |               |
|     |                                    |                | 699.92                           |                |                                    |               |
| 79  | 750.28                             |                | 750.28                           |                |                                    |               |
| 80  | 875.00                             |                | 1,025.00                         |                |                                    | 150.00        |
| 81  | 4,000.00                           |                |                                  |                | 425.00                             |               |
| 82  | 173,370.25                         |                | 175,894.75                       |                |                                    | 2,524.50      |
| 83  | 79,487.40                          |                | 80,847.58                        |                |                                    | 1,360.18      |
| 84  | 91,475.89                          |                | 91,475.89                        |                |                                    |               |
| 85  | 16,489.14                          |                | 16,431.64                        |                | 125.00                             | 67.50         |
| 86  | 540.00                             |                | 540.00                           |                |                                    |               |
| 87  | 950.00                             |                | 800.00                           |                | 150.00                             |               |
| 88  | 2,196.40                           |                | 2,196.40                         |                |                                    |               |
| 89  | 123,620.10                         |                | 45,674.85                        |                | 500.00                             | 1,000.00      |
| 90  | 15,900.00                          |                | 15,900.00                        |                |                                    |               |
| 91  | 2,360.17                           |                | 2,210.17                         |                | 150.00                             |               |
| 92  | 1,092.15                           |                | 1,092.15                         |                |                                    |               |
| 93  | 1,312.43                           |                | 1,312.43                         |                |                                    |               |
| 94  | 3,255.90                           |                | 2,196.43                         | Mfg. }         | 540.23                             |               |
|     |                                    |                | 519.24                           |                |                                    |               |
| 95  | 208.48                             |                | 1,012.24                         | Mfg. }         |                                    | 1,214.99      |
|     |                                    |                | 411.23                           |                |                                    |               |
| 96  | 7,500.00                           |                | 6,400.00                         | Selling }      |                                    | 400.00        |
|     |                                    |                | 1,500.00                         |                |                                    |               |
| 97  | 412.45                             |                | 429.70                           | G. A. }        |                                    | 17.25         |
| 98  | 1,025.43                           |                | 1,025.43                         |                |                                    |               |
| 99  | 450.80                             |                | 625.00                           |                |                                    | 150.00        |
| 100 | 15,962.14                          |                | 18,301.87                        |                |                                    | 2,339.73      |
| 101 |                                    |                | 5,680.89                         |                |                                    |               |
| 102 |                                    | 4,965.89       |                                  | 4,125.67       |                                    | 840.22        |
| 103 |                                    | 200.00         |                                  | 200.00         |                                    |               |
| 104 |                                    | 62.50          |                                  | 62.50          |                                    |               |
| 105 | 60.78                              |                | 60.78                            |                |                                    |               |
| 106 | 1,936.57                           |                | 1,936.57                         | }              |                                    |               |
| 107 | 2,000.00                           |                | 2,000.00                         |                |                                    |               |
| 108 |                                    |                |                                  |                | 1,025.10                           |               |
| 109 |                                    |                |                                  |                |                                    | 1,025.10      |
| 110 |                                    |                | 107,893.65§                      |                |                                    |               |
|     | \$1,507,784.98                     | \$1,507,784.98 | \$1,206,101.84                   | \$1,206,101.84 | \$497,921.18                       | -\$497,921.18 |

\* Effort is made to show the correct distribution of items over the various departments or divisions.

§ Net profit is \$111,891.00, i.e., \$107,893.65 plus the three items shown just above this amount, which are charges direct to Surplus.

## SURPLUS STATEMENT

|  |             |              |
|--|-------------|--------------|
| Balance, 8/31/16.....                  | \$ 1,065.45 |              |
| Net Profit, year ending 12/31/17.....  | 111,891.00  | \$112,956.45 |
| Loss from Sale of Power Equipment..... | \$ 60.78    |              |
| Fire Loss and Strike Costs.....        | 3,936.57    |              |
| Sinking Fund Reserve.....              | 750.00      |              |
| Dividends.....                         | 20,000.00   | 24,747.35    |
| New Balance, 12/31/17.....             |             | \$ 88,209.10 |

## APPENDIX B

I, pages 695-696. Net Worth \$5,766; Net Profit \$2,238.

II, pages 696-697. Net Worth \$9,540.10; Net Profit \$4,100.10.

III, pages 697-698. No answers necessary.

IV, pages 698-700.

Net Worth:

Howe \$7,173.25  
Mason 3,096.62  
Bartlett 7,209.94

Net Profit, \$3,629.81:

Howe \$1,613.25  
Mason 806.62  
Bartlett 1,209.94

Note: For these results, Bad Debts are reckoned on gross sales.

V, pages 700-701.

|               | CAPITAL<br>New<br>Capitals | ADJUSTMENTS<br>Old<br>Capitals | Good-<br>Will | Cash Contrib-<br>uted or<br>Withdrawn |
|---------------|----------------------------|--------------------------------|---------------|---------------------------------------|
| Howe.....     | \$12,000                   | \$7,173.25                     | \$2,666.67    | \$2,160.08                            |
| Mason.....    | 7,500                      | 3,096.62                       | 1,333.33      | 3,070.05                              |
| Bartlett..... | 4,500                      | 7,209.94                       | 2,000.00      | 4,700.94*                             |
| Gray.....     | 6,000                      | ....                           | ....          | 4,000.00 and<br>2,000.00 note         |

VI, pages 701-703.

Net Profit for year \$10,488.61:

Howe..... \$4,807.28  
Mason..... 3,004.55  
Bartlett..... 1,802.73  
Gray..... 874.05

Good-Will is \$3,480, of which Gray's share is \$696.00.

Gray's interest as on date of his death is \$6,470.05, on which amount his estate is entitled to interest for 7 months at 6%. This amounts to \$226.45 and is charged to the surviving partners in the ratio of 8:5:3. Gray's estate thus receives cash \$1,000 and the firm's note \$5,696.50.

\* Italics denote withdrawal.

# INSTRUCTOR'S GUIDE

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VII, page 703. No answers necessary.

VIII, pages 704-705. Net Profit \$12,270.

IX, page 706.

$$\text{Sale price of bonds} = \frac{Pr + C(R^a - 1)}{rR^a} = \frac{35 + 30(1.035^{40} - 1)}{.035(1.035)^{40}} = \$893.22464.$$

80 bonds at \$893.22464 = \$71,457.97.

## CONDITION OF THE SINKING FUND

| Annual payment into the fund is: | Periods | Amount in Fund |
|----------------------------------|---------|----------------|
|                                  | 31      | \$70,162.34    |
|                                  | 32      | 73,221.16      |
|                                  | 33      | 76,341.16      |
|                                  | 34      | 79,523.56      |
|                                  | 35      | 82,769.60      |
|                                  | 36      | 86,080.57      |
|                                  | 37      | 89,457.75      |
|                                  | 38      | 92,902.48      |
|                                  | 39      | 96,416.10      |
|                                  | 40      | 100,000.00     |

$$A = \frac{Pr}{R^a - 1} = \frac{100,000 \times .02}{1.02^{40} - 1} = \$1,655.575$$

The amount in the fund on the date of the 31st period is found from the amount of an annuity formula. A payment of \$1,655.575 semiannually for 31 periods amounts to \$70,162.34.

X, page 706.

## (a) AMORTIZATION SCHEDULE

| Date         | Coupon     | Effective Interest | Amortization | Value of Bonds |
|--------------|------------|--------------------|--------------|----------------|
| Dec. 1, 1913 | .....      | .....              | .....        | \$91,457.97    |
| June 1, 1914 | \$3,000.00 | \$3,103.63         | \$103.63     | 91,561.60      |
| Dec. 1, 1914 | 3,000.00   | 3,107.14           | 107.14       | 91,668.74      |
| June 1, 1915 | 3,000.00   | 3,110.78           | 110.78       | 91,779.52      |
| Dec. 1, 1915 | 3,000.00   | 3,114.54           | 114.54       | 91,894.06      |
| June 1, 1916 | 3,000.00   | 3,118.42           | 118.42       | 92,012.48      |
| Dec. 1, 1916 | 3,000.00   | 3,122.44           | 122.44       | 92,134.92      |
| June 1, 1917 | 3,000.00   | 3,126.60           | 126.60       | 92,261.52      |
| Dec. 1, 1917 | 3,000.00   | 3,130.89           | 130.89       | 92,392.41      |
| June 1, 1918 | 3,000.00   | 3,135.33           | 135.33       | 92,527.74      |
| Dec. 1, 1918 | 3,000.00   | 3,139.93           | 139.93       | 92,667.67      |

(b) Follow the type entries shown in the text, using the figures from the above schedule.

XI, page 707.

|                            |            |            |
|----------------------------|------------|------------|
| S. D. Bright, Special..... | \$1,400.00 |            |
| Trunk Sales.....           |            | \$1,040.00 |
| Bag Sales.....             |            | 360.00     |
| S. D. Bright, Special..... | 300.00     |            |
| Freight.....               |            | 300.00     |

|                                    |           |           |
|------------------------------------|-----------|-----------|
| S. D. Bright, Special.....         | 8,430.00  |           |
| Accounts Receivable.....           |           | 8,430.00  |
| Accounts Receivable.....           | 8,430.00  |           |
| Trunk Sales.....                   |           | 5,640.00  |
| Bag Sales.....                     |           | 2,790.00  |
| S. D. Bright, Special.....         | 4,740.00  |           |
| Accounts Receivable.....           |           | 4,740.00  |
| S. D. Bright, Special.....         | 1,560.00  |           |
| National Novelty Co. Cons'g't..... |           | 1,560.00  |
| S. D. Bright, Special.....         | 900.00    |           |
| Direct Labor.....                  |           | 900.00    |
| Self-Starter Auto Co.....          | 1,000.00  |           |
| Notes Receivable.....              |           | 1,000.00  |
| S. D. Bright, Special.....         | 1,800.00  |           |
| Accounts Payable.....              |           | 1,800.00  |
| Accounts Payable.....              | 1,800.00  |           |
| Purchases.....                     |           | 1,800.00  |
| Treasury Stock, Common.....        | 11,000.00 |           |
| Treasury Stock, Preferred.....     | 2,600.00  |           |
| Donated Surplus.....               |           | 13,600.00 |

## XII, pages 708-709.

|   |             |             |
|---|-------------|-------------|
| Donated Land.....                                     | \$40,000.00 |             |
| Reserve for the Donated Land.....                     |             | \$40,000.00 |
| Unissued Capital Stock Preferred.....                 | 100,000.00  |             |
| Capital Stock Preferred.....                          |             | 100,000.00  |
| Cash.....   | 100,500.00  |             |
| Unissued Capital Stock Preferred.....                 |             | 100,000.00  |
| Premium on Capital Stock Preferred.....               |             | 500.00      |
| Building Fund.....                                    | 98,980.00   |             |
| Building Fund Income.....                             | 1,346.67    |             |
| Cash.....   |             | 100,326.67  |
| Land.....   | 300.00      |             |
| Factory Buildings.....                                | 100.00      |             |
| Cash.....   |             | 400.00      |
| Factory Buildings.....                                | 2,000.00    |             |
| Machinery and Equipment.....                          | 1,000.00    |             |
| Cash.....   |             | 3,000.00    |
| Depreciation.....                                     | 2,837.50    |             |
| Depreciation Reserve, Buildings.....                  |             | 1,937.50    |
| Depreciation Reserve, Machinery and<br>Equipment..... |             | 900.00      |
| Depreciation Reserve, Buildings.....                  | 4,937.50    |             |
| Depreciation Reserve, Machinery and Equipment.....    | 2,100.00    |             |
| Buildings.....  |             | 4,937.50    |
| Machinery and Equipment.....                          |             | 2,100.00    |

|   |           |           |
|---|-----------|-----------|
| Cash.....                                     | 11,000.00 |           |
| Mortgage Receivable—6%, due July 31, 1915.... | 38,000.00 |           |
| Buildings.....                                |           | 26,062.50 |
| Machinery and Equipment.....                  |           | 9,900.00  |
| Land.....                                     |           | 10,000.00 |
| Profit & Loss on Sale of Old Plant.....       |           | 3,037.50  |
| Machinery and Equipment.....                  | 420.00    |           |
| Cash.....                                     |           | 420.00    |

XIII-XV, pages 709-714. Net Profit \$16,383.65.

## DEPRECIATION ESTIMATES AND DISTRIBUTION

|                   | Value<br>Basis | Rate     | Depr. for<br>14 mos. | Factory    | Selling    | Office   |
|-------------------|----------------|----------|----------------------|------------|------------|----------|
| Buildings.....    | \$132,500      | 5%       | \$7,729.17           | \$4,830.73 | \$1,932.29 | \$966.15 |
| Machinery.....    | 47,000         | 10%      | 5,483.33             | 5,483.33   | .....      | .....    |
| Deliv. Equip..... | 5,900          | 12%      | 826.00               | .....      | 826.00     | .....    |
| Furn. & Fixt..... | 2,300          | 12%      | 322.00               | 201.25     | 80.50      | 40.25    |
| Tools.....        | 4,680          | 20%*     | 936.00               | 936.00     | .....      | .....    |
| Draw & Pat.....   | 4,606          | 20%*     | 921.20               | 921.20     | .....      | .....    |
| Patents.....      | 88,600         | 14 1/84* | 7,563.42             | 7,563.42   | .....      | .....    |

## OTHER EXPENSE DISTRIBUTIONS

|                           | Total  | Factory  | Selling  | Office  |
|---------------------------|--|----------|----------|---------|
| Repairs to Buildings..... | \$255.50   | \$159.69 | \$63.87  | \$31.94 |
| Light, Heat, & Power....  | 7,147.10   | 5,912.20 | 842.90   | 392.00  |
| Freight-In.....           | 4,334.82   | 3,251.11 | 1,083.71 | .....   |
| Taxes.....                | 1,520.00 of which \$1,300 to Plant and \$220 to Employees' Houses. |          |          |         |

Amortization of bond discount for the 6 mos. Dec. 1, 1918, to June 1, 1919, will be \$144.67. Accrued amortization for the month of Dec. 1918, is, therefore, 1/6 of \$144.67 or \$24.11.

XVI, pages 714-715.

Strong Fiber Co.:

Adjusted surplus (after reduction to even multiples of 10,000), \$30,000.

Good-Will, \$80,000.

Randall Mfg. Co.

Adjusted surplus, \$40,000.

Good-Will, \$74,000.

## CAPITALIZATION OF STERLING TRUNK CORPORATION

| Strong Fiber Co.:           |              | Common<br>Stock | Preferred<br>Stock |
|-----------------------------|--------------|-----------------|--------------------|
| Capital Stock Common.....   | \$150,000.00 | \$150,000.00    | .....              |
| Capital Stock Preferred.... | 100,000.00   | .....           | \$100,000.00       |
| Reserve for Sinking Fund... | 30,000.00    | 30,000.00       | .....              |
| Surplus.....                | 30,000.00    | 30,000.00       | .....              |
| Good-Will.....              | 80,000.00    | 80,000.00       | .....              |

\* A flat rate, i. e., not on a yearly basis.



## Randall Mfg. Co.:

|   |              |                     |                     |
|---|--------------|---------------------|---------------------|
| Capital Stock Common.....   | \$100,000.00 | \$100,000.00        | .....               |
| Capital Stock Preferred.....  | 50,000.00    | .....               | 50,000.00           |
| Surplus.....  | 40,000.00    | 40,000.00           | .....               |
| Good-Will.....  | 74,000.00    | 74,000.00           | .....               |
|   |              | <u>\$504,000.00</u> | <u>\$150,000.00</u> |
| Additional common to serve for working capital or other purposes, say.. |              | 96,000.00           |                     |
|   |              | <u>\$600,000.00</u> | <u>\$150,000.00</u> |

Total capitalization is, therefore, \$750,000.

## XVII, page 716.

## 1. Insurance received on:

|  |             |          |
|--|-------------|----------|
| Power House.....                               | \$20,325.20 |          |
| P. H. Equip.....                               | 73,333.33   |          |
| Portion of unexpired premium canceled by fire: |             |          |
| Power House.....                               | \$130.84    |          |
| Power House Equip.....                         | 464.88      | \$595.72 |

2. Appropriate surplus periodically under, say, a Reserve for Redemption of Preferred Stock, which will ultimately become a permanent surplus after redemption of preferred stock. Charge the redemption premium against the premium originally created at time of sale of stock.

## XVIII, page 717.

## Insurance received on:

|                             |             |   |
|-----------------------------|-------------|---|
| Buildings.....              | \$30,000.00 | 7 |
| Machinery.....              | 13,262.88   |   |
| Furniture and Fixtures..... | 2,219.70    | ✓ |
| Patterns and Drawings.....  | 1,500.00    |   |
| Finished Goods.....         | 23,324.44   |   |

## XIX, pages 717-718.

| OLD SECURITIES TO BE PROVIDED FOR<br>UNDER REORGANIZATION |                    | PLAN OF REORGANIZATION CALLING FOR |                              |                 |                      |                      |                  |
|---|--------------------|------------------------------------|------------------------------|-----------------|----------------------|----------------------|------------------|
|   |                    | Cash<br>Assessment                 | 6% Bonds<br>not<br>disturbed | New Bonds<br>5% | 7% Cum.<br>Preferred | 6% non-<br>Cum. Pre. | Common<br>Stock  |
| Strong Co. 6% Bonds                                       | \$100,000          | ....                               | \$100,000                    | ....            | ....                 | ....                 | ....             |
| Accr. Int. on same  | 6,000              | ....                               | ....                         | ....            | \$10,000             | ....                 | ....             |
| Randall Co. 5% Bonds                                      | 100,000            | \$5,000                            | ....                         | \$50,000        | ....                 | \$70,000             | ....             |
| Accr. Int. on same  | 5,000              | ....                               | ....                         | ....            | ....                 | ....                 | ....             |
| Strong Co. 7% War Bonds                                   | 60,000             | ....                               | ....                         | ....            | ....                 | 36,000               | \$30,000         |
| Accr. Int. on same  | 4,200              | ....                               | ....                         | ....            | ....                 | ....                 | ....             |
| Cum. Pre. Stock   | 150,000            | ....                               | ....                         | ....            | ....                 | 150,000              | ....             |
| Common Stock  | 600,000            | 120,000                            | ....                         | ....            | 120,000              | ....                 | 600,000          |
|   | <u>\$1,025,200</u> | <u>\$125,000</u>                   | <u>\$100,000</u>             | <u>\$50,000</u> | <u>\$130,000</u>     | <u>\$256,000</u>     | <u>\$630,000</u> |

XX, pages 718-719. Branch A, true profit \$6,550; Branch B, true profit, \$4,515; Head Office, own profit, \$88,625.

XXI, pages 719-720.

London net profit, \$437,568.75.

Profit on exchange, \$2,006.25.

|  |              |
|--|--------------|
| London balance £165,000 at 4.8725..... | \$803,962.50 |
| New York balance.....                  | 801,956.25   |

\$ 2,006.25

XXII, page 720.

Eliminations from combined assets are:

Due from Allied Cos..... \$30,600.00

Investments in Allied Cos..... 50,000.00

Eliminations from combined liabilities and capital stock are:

Dividends Payable..... \$500.00

Due to Allied Cos..... 30,100.00

Capital Stock..... 50,000.00

Consolidated surplus is \$8,950. A Depreciation Reserve of \$5,000 against Buildings and Equipment is set up.

XXIII, page 721. Deficiency is \$18,650.

XXIV, pages 721-722. Deficiency is \$9,265.

XXV, pages 722-723. Net loss on realization and liquidation is \$2,109.70.

XXVI, pages 723-724.

Net profit on realization and liquidation is \$5,229.50.

Partners' capitals when business is returned to them:

Maxwell..... \$10,185.00

Green..... 21,157.50

Sharp..... 14,832.50 46,175.00

XXVII, page 724.

Instalments:

|                   |             | X           | Y           | Z          |
|-------------------|-------------|-------------|-------------|------------|
| 1st quarter ..... | \$42,410.20 | \$32,131.38 | \$10,278.82 | .....      |
| 2nd " .....       | 74,622.30   | 41,384.87   | 24,830.93   | \$8,406.50 |
| 3rd " .....       | 31,967.50   | 15,983.75   | 9,590.25    | 6,393.50   |

XXVIII, pages 724-726.

No answer necessary.

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